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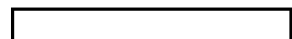
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LEBANON

Lebanon was relatively calm over the weekend as implementation of the latest truce moved slowly forward. Although sniper activity and occasional gun battles persist in several Beirut suburbs and in the Tripoli-Zagharta area, security forces, aided in some cases by Palestinian commando units, made slow but steady progress removing barricades used by warring militiamen.

A spontaneous reconciliation between a Muslim district in Beirut and a neighboring Christian community—where fighting has been especially intense—is widely regarded as one of the most hopeful developments of the past few weeks. The business and banking communities are taking a wait-and-see attitude toward the cessation of fighting; individual shopkeepers and merchants, however, have begun opening their doors. The improved security situation in the capital has permitted the resumption of some essential services, including the resupply of hospitals and the delivery of much-needed food and fuel.

The uneasy cease-fire has allowed political attention to focus on the efforts of Lebanese and Arab leaders to deal with the crisis. Much of the credit for the calm must go to Syrian President Asad, who apparently urged strongly, during Prime Minister Karami's recent round of talks in Damascus, that the Palestinians cooperate more actively in attempts to keep peace. Karami told Ambassador Godley on Friday that the Syrians had persuaded PLO chief Arafat and Saiqa leader Muhsin to help slow down the fighting, provided the Christian Phalangists would do likewise.

Beyond solving immediate security problems, Karami did not seem hopeful. He complained bitterly to Ambassador Godley about Kamal Jumblatt—one of the principal Lebanese leftist leaders—who, in Karami's view, is acting in a totally irresponsible manner. Karami is trying to arrange a meeting between Jumblatt and Phalangist leader Jumayyil as a first step toward a political solution.

Karami also reiterated the now-frequent complaints about President Franjiyah's ineffectiveness. According to Karami, the President is contributing to the destruction of Lebanon by seeking to protect only the Christian interests.

The Prime Minister's pessimistic outlook suggests that the national conciliation committee and the cabinet, both of which held special sessions yesterday, are not likely to make much progress toward resolving basic problems.

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Karami seemed only slightly encouraged by the decision to hold a special session of Arab League foreign ministers to discuss the situation in Lebanon. The meeting is scheduled to convene in Cairo on Wednesday. Kuwait reportedly will submit a proposal calling for formation of a joint Arab force to guarantee the truce. There is some question that the Arabs en masse will be able to accomplish much more than Syria has done alone.

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TURKEY

The results of the midterm parliamentary election Sunday have strengthened Prime Minister Demirel both within his governing coalition and with respect to his political opposition.

Unofficial final returns show Demirel's conservative Justice Party won 27 of the 54 Senate seats at stake and 5 of the 6 vacant National Assembly seats. Although Bulent Ecevit's Republican People's Party—Demirel's main opponent—won a higher percentage of the total vote (44.5 percent, as opposed to 40.2 for the JP), the Republicans took only 25 Senate seats and 1 Assembly seat.

Ecevit will no doubt claim victory for his Republican People's Party, pointing to its 11-percentage-point improvement over the 1973 general election and its net gain of 17 Senate seats. These statistics do not, however, appear to reflect accurately the party's nationwide strength. A larger percentage of the seats contested on Sunday were in Republican strongholds than would be the case in a general election. Despite this disadvantage, Demirel's Justice Party improved its percentage of the popular vote by some 10 percent.

Turkey's minor conservative parties did poorly. US embassy officials believe this indicates that Turkey may be gravitating back toward a two-party system, after two years during which no party has had a majority and a series of weak coalition or caretaker governments resulted.

Among the small parties that lost ground was Necmettin Erbakan's National Salvation Party, a member of the government coalition. Erbakan's recent uncompromising stands on a number of issues had largely immobilized Demirel's government. The party's poor showing could give Demirel an excuse to ignore Erbakan and to be more flexible than heretofore in dealing with pressing problems, such as Cyprus.

Demirel will, of course, be sensitive to the prospect of a national parliamentary election, which must be held in 1977 and could take place next year. He will want to avoid positions that could harm his party's chances for success at a later date.

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PORTUGAL

Prime Minister Azevedo, in a speech last night, announced new steps to help bring the floundering economy under control. He did not, however, offer any specific measures to counteract the more pressing problems of public disorder and military indiscipline.

After receiving pledges of support from the cabinet and the all-military Revolutionary Council late last week, Azevedo was expected to institute strong actions to curb leftist dissidence so he could concentrate on economic problems. Instead, Azevedo announced that "the sixth government will answer the attempts to overthrow it by continuing to govern."

Azevedo said a disciplined military is essential to the government's ability to exercise authority, but appealed to the population to rebuke those who abuse freedom rather than taking action himself. When he ordered the occupation of radio and television stations in Lisbon two weeks ago, Azevedo appeared willing to take strong actions to establish his control. He has done little, however, since President Costa Gomes returned from official visits to the USSR and Poland a week ago. Costa Gomes' indecisiveness and unwillingness to provoke a confrontation probably account for Azevedo's inability to respond to leftist provocations, despite the votes of confidence from the cabinet and the Revolutionary Council.

In his speech, Azevedo also appealed for popular support to regain control over the economy, which suffers from an unemployment rate of more than 10 percent, declining production rates, and an exceptionally large budget deficit. He urged workers to withhold excessive wage claims, increase production, and end the illegal occupation of farms and houses. Otherwise, he said, "recovery will be impossible and socialism will be no more than a nostalgic memory." His pleas will probably have little effect. Many labor disputes and illegal occupations have been incited by the far left and the Communist Party in an effort to shorten the life of the Azevedo government.

Azevedo said the entire population will be forced to undergo a "period of relative austerity" in order to turn the economy around. Government actions will include price hikes, an increase in indirect taxation, restrictions on imports, and the reinforcement of public investment.

The Prime Minister was at pains to explain why the government will seek foreign loans to cover the budget deficit. This approach is anathema to his government's left-wing critics, who claim loans from the West will force Portugal to

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submit to foreign domination. Azevedo blamed past governments for depleting foreign reserves and making loan appeals necessary. He said foreign assistance would be impossible if a pro-Communist administration still ran the country.

Several West European governments have expressed willingness to extend immediate loans to Portugal, since recent EC and US pledges of support are in the form of project aid and will have no immediate effect on Portugal's economic woes. Such loans, however, are contingent on the Portuguese putting together a viable economic program. Azevedo will be hard pressed to work one out if he cannot bring the military under control.

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SPAIN

Spain's military officers are finding it increasingly difficult to remain detached from the country's political problems.

Three more middle-level officers were arrested in Barcelona last week in connection with the investigation of an underground network of dissidents in the military. They were said to be associated with the nine officers who were arrested last July and are now being detained in Madrid awaiting trial for illegal political activity. Four of the nine are being held incommunicado, a sign they face serious charges.

Some Spanish authorities are concerned that overly harsh treatment of these officers will drive more junior officers into the dissidents' camp. [redacted] the need to defuse this situation was one of the reasons for the military command changes announced over the weekend. The new Madrid commander, General Alvarez-Arenas, is thought to be more likely to recommend light sentences than his predecessor.

The dissident group—known as the Democratic Military Union—is composed of officers and noncommissioned officers from the army, navy, and air force. [redacted] Their goals include Franco's abdication, establishment of a pluralist party democracy, and improved standards of efficiency in the armed forces.

The military also is divided over the role it should play in restoring public order in Spain. Ultrarightists would like to see the army participate in the campaign against Spanish terrorists, but a majority of senior officers seem to disagree. They believe such a role would discredit the army's image and make it more difficult for the military to maintain order in the post-Franco period.

This latter theme was evident in two speeches by senior officers over the weekend. Navy Minister Admiral Pita de Veiga said Spain is living through delicate moments and that it is the military's task to "stand firm so that politicians can do their politicking." General Guitana, commander of the military academy, took an even more reserved position when he said simply, "The army is above politics."

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GUATEMALA

The first test of Guatemala's aggressive stance toward Belize will come early next month when the issue is debated at the United Nations.

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On the diplomatic front, Guatemala plans to press for support for its position on Belize from Central American chiefs of state when they meet to inaugurate a trade fair in Guatemala on October 30. Vice President Sandoval will soon travel to the US, Europe, and the Middle East to drum up support. His recent tour of South America was for the same purpose.

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BRAZIL

The interpretation by Brazilian officials of Washington's attitude toward their nuclear policy reflects their deepening conviction that the US and the "club" of highly developed nations want to impede Brazil's development. The Brazilians have occasionally drawn parallels between OPEC's arbitrary creation of rules for the oil game and the attitudes of the exclusive nuclear society of nations.

Brazil is growing more defensive and nationalistic about its nuclear program, which it regards as central to its industrial advancement and rapidly expanding energy needs. In his testimony to the Chamber of Deputies on the program, the minister of mines and energy last week stressed that Brazil would retain control of all its nuclear components and systems.

Brazilian sensitivity toward what it regards as US antagonism on this issue shows no sign of waning. Both the foreign minister and the Brazilian press have responded negatively to Secretary Kissinger's proposal to establish regional centers for reprocessing nuclear fuel, implying that this is a device for retaining US control over its technology.

Brazil, interested in protecting its maneuverability in the politics of nuclear development, is expanding its negotiations for nuclear fuel sources to include the USSR. Earlier this year the Brazilians had expressed strong interest in buying fuel from the US. The Soviet Union's restrictions on fuel use are as stringent as those imposed by the US and the International Atomic Energy Agency. It is becoming apparent that Brazil's interest lies in terminating its exclusive dependence on the US and Western Europe.

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FOR THE RECORD

INDIA: The Indian Supreme Court is expected to rule before November 1 on Prime Minister Indira Gandhi's legal battles. Hearings ended Thursday on the legality of the constitutional amendment Gandhi pushed through parliament in August—which retroactively barred judicial review of a prime minister's election to parliament—and on other issues before the court stemming from her conviction by a lower court in June for campaign violations in 1971.

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